

Expertise and insight for the future

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Predictive Analytics of Digital Marketing and Sales Pipeline

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The purpose of the final year project was to integrate predictive analytical features to the Marketing Analytical tool of the case company. The primary objective of the project was to implement predictive models for classification of winning and losing sales cases in the pipeline and prediction of Key Marketing KPIs – Marketing Leads, MQL, and number of Visitors.

To execute the project, the data was collected from various social, advertisement and CRM channels of the case company. The data was collected using Python and processed with the R language. Machine Learning workflows were based on the functions and guidance provided by R packages - Caret and CaretEnsemble.

For both cases, predictive models were constructed and experimented with various machine learning algorithms and their combinations. The results were very accurate for classification problems and the prediction of numbers of website visitors. However, for two regression problems, the results were just adequate and further improvement was recommended. Overall, it can be concluded that all the defined objectives were achieved and the architecture has been set up to integrate additional recommended predictive analytical capabilities into the platform.



Keywords	Predictive Analytics, Machine Learning, Digital Marketing, Sales Pipeline, Artificial Intelligence, Caret Package



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List of Abbreviations

KPI	Key Performance Indicator
SMS	Short Message Service
MMS	Multimedia Messaging Service
ROI	Return on Investments
TOFU	Top Of The Funnel
MOFU	Middle Of The Funnel
BOFU	Bottom Of The Funnel
KW	Kilowatt
AI	Artificial Intelligence
ATM	Automated Teller Machine
SOM	Self Organizing Map
SQL	Structured Query Language
ETL	Extract Transform Load
BI	Business Intelligence
SaaS	Software as a Service
CSV	Comma Separated Values
API	Application Programming Interface
MQL	Marketing Qualified Leads
CRM	Customer Relationship Management



- KNN K Nearest Neighbors
- ROC Receiver Operating Characteristics
- RMSE Root Mean Square Error
- MAPE Mean Absolute Percentage Error
- AUC Area Under the Curve
- ETL Extract Transform Load



1 Introduction

In May 2017, UK based weekly magazine The Economist stated that data have surpassed the oil as the most valuable resource on the Earth. It is not surprising given that about 2.5 quintillion bytes of data were created each day and every year, the number is growing at an astronomical rate. [1;2.] Similarly, tools and technologies in the field of data sciences have advanced over couple of decades that has pushed the limitation of a machine to the new level. Predictive Analytics or Machine Learning has proven to have a significant impact on various aspects of human life such as digital marketing and advertisement. The project is focused on the predictive analytics of digital marketing performance on lead prediction and sales case scoring for the case company based in Finland.

The project is conducted for an internal platform of the company – Inline Market Oy, a marketing automation, cloud-based service provider. The case platform is a data analytics tool that provides comprehensive insight into digital marketing performance across various advertisement channels. However, the platform lacked advanced prediction features and had relied on a simpler approach for predictive analytics such as rolling average, naïve methods or average methods.

The project aims to integrate advanced machine learning algorithms and methods to the platform. As discussed in section 3.4, the project is set out to build predictive models and summarize the result for two sets of existing problems - Classification of sales cases in the pipeline and forecasting the number of weekly generated marketing leads and visitors. The project is carried in Python and R programming languages and utilizes several Machine Learning packages in R such as caret and caretEnsemble.

Followed by the current section, section 2 provides an overview of digital marketing, sales pipeline, and methods to evaluate digital marketing performance. The section also highlights the concept of the marketing funnel and measurement of customer interaction on different stages of the funnel. The section also provides an overview of Predictive Analytics, Machine Learning techniques and brief introduction to common Machine Learning algorithms. Section 3 describes the current states of the case project and



2 Theoretical Background

and suggestions for future improvements are given.

The following sections provide a cohesive overview of Digital Marketing, Customer Relationship Managemen (CRM) and Sales Pipeline. The section also highlights the concept of the marketing funnel and summarizes the methods to evaluate the performance of digital advertisement with various KPIs. The subsequent section provides a summary of Predictive Analytics, Machine Learning and Artificial Intelligence with different learning techniques. Section 2.2.3 provides examples of most common Machine Learning algorithms incorporated in the case project with a brief overview of algorithm's learning processes.

2.1 Digital Marketing

Digital Marketing has been coined as an umbrella term for the advertisement of a service, product or brand and accomplishing marketing objectives utilizing digital technologies. The primary medium for digital advertising is the internet, However, as stated in the study, other electronic means such as SMS, MMS, TV, Radio or digital display boards are also included in the digital marketing. [3, 10.]

Digital Marketing and Advertisement offer several competitive advantages over traditional physical advertisement methods. To illustrate, with an effective planning strategy, the cost of marketing can be much lower as compared to a physical advertisement. Digital content can be delivered faster with the speed of the internet and is easier to morph for improvements. Digital marketing strategies such as target marketing strategy allows to target selected audience group and deliver the tailored contents [3, 14]. This approach provides a better advertisement experience for customers and maximizes the Return on Investment (ROI) to the businesses.



2 (44)

Digital Marketing media includes content shared in the paid, owned or earned media. With paid media, businesses should invest money to reach out to audience and the cost is based on several metrics such as numbers of visitors, reach or impressions [3,11]. Unlike a paid media, owned media are digital platforms such as websites, applications, and social profiles that are owned and controlled by businesses to deliver product, content or service. Earned media are publicly gained content about the product or services without any additional cost for example through word-of-mouth. Earned Media includes shares, reviews, mentioned, reposts, recommendation and is considered more genuine and unbiased since the business does not have control over it. [4,44-45.]

2.1.1 CRM and Sales Pipeline

Customer relationship management (CRM) is a process or tool to manage customers or potential customers relationship and interactions with the company to improve business relationships. The main focus of the CRM system is to connect with customers, understand their needs and behaviors to streamline the sales process, eventually improving overall profitability. [5;10.] In general, CRM refers to the CRM system or tools such as HubSpot that helps the company to streamline the various business process such as sales management, contact management, business development [6].

A sales pipeline or deals pipeline is a systematic approach to sell a product or services. The sales pipeline includes various stages of the sales process and enables the visualization of the progress of sale process [7]. In a sales funnel, a prospect moves through the various stages of the process before making a decision. In general, the stages in the process can be categorized into three stages – Awareness, Consideration, and Decision. A usual sales pipeline can include the following stages in chronological order – connect to the customer, appointment scheduled, appointment completed, the solution proposed, proposal sent and the decision made [7].

2.1.2 Marketing Funnel

For any business, it is essential to understand the customer experience or journey after reaching out to the audience until converting that audience as a long-term trustworthy buyer. This is well summarized in a visualization chart coined as marketing or purchasing funnel as shown in figure 1. As the author stated, the point of the funnel is to reach out



to a maximum number of audiences and gradually filter down and assists the potential customer to move to the next phase. Finally, the goal is to convert the audience into a trustworthy client and assist to stay as a client for the longer terms [8]. The stages generally involved in the customer journey towards a service are shown in the funnel as shown in figure 1.



Figure 1. Marketing Funnel data gathered from EPM [8]

As visualized in figure 1, a customer journey starts with awareness. For example, a user notices about a product or service via an advertisement in the Facebook feed. This leads to the next stage that is an interest. The user has developed an interest in that particular product and wants to find more information about products and providers such as the trustworthiness of the provider, the value of the product, reviews and ratings. This holds true for both business cases - business to business (B2B) or business to customer (B2C). After a long evaluation, potential customer if convinced, moves to the later phase of the funnel such as a trial or purchase. As the author points out [9,28], top of the funnel (TOFU) is the top awareness section of the funnel where the main objective of the business is to reach out and gain the attention of the audience towards their business or product. The second stage, middle of the funnel (MOFU) is to collect prospects and drive



them towards the business resources such as a website. Finally, the bottom of the funnel (BOFU) final stages of the funnel such as trial and sales where the business is focused to convert potential customers into buyers. [9, 28.]

2.1.3 Marketing Key Performance Indicators

To build a cost-effective advertisement strategy, every stage of the customer journey is measured and analyzed thoroughly. Various methods and metrics exist to measure advertisement performance, however, those metrics can vary based on the end goals, marketing strategy, stages, and advertisement platforms. For example, setting periodic goals and analyzing the rate of goal completions is a great way to check if a marketing strategy is effective as planned for web traffic analysis. To illustrate, few goals that can be set and measured in the Google Analytics include the total purchases of a product, the number of submitted contact information and the number of visitors to the website [10].

A Key Performance Indicator (KPI), is a numeric measure that can be used to crosscheck, quantify and evaluate the efficiency of advertisement process from various dimensions [3,216]. In marketing, monitoring those KPIs provides hidden and valuable insights into the strategy, campaigns or advertisements. For Instance, few key KPIs for web analytics include unique visitors, traffic, ROI, sessions, and conversion [11,4]. Amongst other KPIs, a Marketing lead is a potential customer that expresses interest towards the brand, business or service. Similarly, a marketing qualified lead (MQL) is a lead that is more likey to become a buyer. The qualification is based on the person's activities and engagement on the website such as pages the person has viewed or content the person has downloaded. [12.]

2.2 Predictive Analytics

Since human civilization, mankind had a special interest in knowing the future or unknown events. Since then, several methods were practiced for forecasting and the method were based on random guessing, judgmental analysis, astrology, religious and cultural faith or pure instinct. One of the popular examples of the traditional technique that is still practiced in some places is Chinese palmistry. The tradition is dated back to



(202BC - 9 AD) and it is a technique to predict a person's character, traits, health, wealth or other attribute based on the pattern of one's palm lines [13].

With the vast amount of data availability and technological advancement, various tools, and technologies have emerged over the decades that help to implement learning from the available information to predict the future or unknown event. The learning is based on the patterns and correlation found on the given data. Those tools and techniques have become industry standards and widely practiced in various fields such as health care, insurance, marketing, finance, entertainment, education, e-commerce, and banking. For instance, Netflix integrates these techniques to recommend programs based on the user interest [14,121]. Similarly, email service providers such as Gmail or Outlook uses these techniques to filter down the spam emails using text analysis method. As the author points out these techniques are interchangeably called 'Machine Learning', 'Artificial Intelligence', 'Data Mining', 'Forecasting' or 'Predictive Analytics'. However, the outcome and underline theory remains the same and can be collectively referred to as 'Predictive analytics'. [15,1.]

Predictive Analytics is a broad term to describe the process of predicting the likelihood of an unknown event based on patterns found in the available data by statistical and analytical techniques such as data mining, statistical modeling, Machine Learning and AI [15,2]. The process enables the user to extract trends, patterns, relationships and correlation from the data that is not visible otherwise. Frequently, the unknow event is in the future, however, the technique can be used to predict any occurrences. An example of present and unknown event is diagnosis of diseases based on the given symptoms. The technique can be applied to predict both continuous or discrete values. In all cases, the underline theory is to find the relationship between independent and dependent variables from available data and find out the most probable result for the unknown.

2.2.1 Artificial Intelligence (AI) and Machine Learning

The term AI was first coined in 1956 by John McCarthy when he invited a team of experts for a workspace to discuss the concept of intelligent machines. Today, it is a generic topic and several definitions can be found for AI. In general, AI can be broadly described as the field of study that deals with mimicking cognitive behavior into the machines to solve problems that require human intelligence such as self-learning, pattern recognition



and problem-solving. [16.] Modern AI tools and techniques have dramatically improved the way humans interact with machines and the ability of a machine to learn and perform the task that requires observation, learning and reasoning skills. Recently, AI has assisted humans to develop a smart and intelligent application, common examples being autonomous vehicles, customer service boots, financial assistance, image recognition, speech recognition, and natural language processing.

Machine learning, a subset of AI is a technique that enables the machine to learn about the pattern based on various algorithms, build a model to explain the relationship and develop the capability for prediction [17,9]. As mentioned in section 2.2, the term Machine Learning highly correlates with `Predictive Analytics` and has gained a lot of popularity since the beginning of the 21st century. The following sections discuss detail about various techniques for a machine to perform cognitive learning with examples of most common supervised machine learning algorithms used in the case project.

2.2.2 Learning Techniques

Similar to human learning approaches, machine learning approaches differs based on the data, the problem domain, and the expected outcomes. Generally, the learning technique is classified into 4 methods: Supervised Learning, Unsupervised Learning, Semi-Supervised Learning, and Reinforcement Learning.

Supervised Learning

In supervised learning methods, the algorithm is trained with fully labeled datasets where each observation is provided with the result that the machine should learn to predict. Here, the machine can learn based on the input-output example given in training sets and maps the learning into a mathematical function that is applied to new data to calculates the results [18].



A common example of supervised learning is estimation of the price of the house based on other attributes such as area, location, number of floors. Figure 2 below highlights the key process in supervised machine learning work flow.



Figure 2. Supervised Machine Learning workflow

As illustrated in figure 2, the datasets are fully labeled and the data is separated into training and test sets. The test sets are used to validate the accuracy of the model with new data sets that were hidden in training steps. After the validation, the function mapped from the previous step is eventually applied to new data with the missing values to predict. Supervised learning methods are used in classification and regression problems and measurement of the accuracy of the model is much straightforward in this learning approach.

Unsupervised Learning

Unsupervised learning is another learning approach from contaminated or unlabeled data to obtain the result without definite outcomes. Advanced algorithms, Neural Networks, and Deep Learning process the data to extracts the valuable features. This learning approach is used in clustering, classification and abnormality detection. A common example of unsupervised learning is - fraud detection and prevention in the banking sectors. To illustrate, if the same ATM card is being used to withdraw cash in Moscow and New York on smaller time window, the algorithm is able to flag the transaction as an abnormal case and transaction is blocked. [18.] A few examples of Unsupervised Learning algorithms include SOM, ART, and K-means.



Reinforcement Learning

Reinforcement learning is an iterative learning approach from feedbacks and experiences to find an optimal method to solve the problem. The learning agent is treated with rewards while taking a step towards the target goals. Concurrently, it explores the new approaches to solve the given problems. [18.] This learning approach is useful in robotics and games where the more training is given to a machine, the better it becomes performing a specific task. The most popular application of this learning approach is AlphaGo Zero, a program created by London based Al company – DeepMind, that was able to learn to play the game GO from scratch. Just after 40 days of self-learning, the program was able to beat all other champions of Go player to be the best Go player in the world. [19.]

2.2.3 Supervised Learning Algorithms

In supervised learning, classifications problems are the type of problem where the result is a discrete value - set of a limited number of values. However, in a regression problem, the result to be predicted is a continuous value. The classification problems can be a binary classification – result with two possible values or multinomial classification – the result contain more than two possible values. In the following section, common supervised machine learning algorithms that are integrated to solve the problems for the case project are discussed.

Linear Regression

Linear Regression is a simple and basic approach for preforming Predictive Analytics and is a base for several advanced machine learning algorithms [20]. Usually, Linear Regression is the first approach to Machine Learning for simpler problems and the method is useful for forecasting quantitative response. The method works by finding out the effect of sets of predictors on the result with various methods and forms the linear equation.



(1)

For example, the linear relationship between total income and the amount of expense can be defined with the equation as follows.

$$Y = \beta 0 + \beta 1 X + \epsilon$$

where Y = expense amount
X= income amount

$$\beta 0$$
 = coefficient - expense amount when income is 0
 $\beta 1$ = slope – change in expense amount for a unit change in income
 ϵ = error terms

In the Simple Linear Regression equation above, the value of $\beta 1$ and $\beta 0$ is identified that minimizes the deviation between the actual expense amount and expense amount predicted by the equation based on the training data [20]. This can be visualized in following plots with random data where the best fit is calculated with least squared error methods and deviations are represented by red vertical lines.



Figure 3. Simple Linear Regression model plots with fitted values and residuals

Figure 3 includes three components of a simple Linear Regression model – observed value, fitted value, and residuals. The blue line is fitted value - the estimated amount of



expense, green points represent observed value- the actual expense, and the red vertical bar represents residuals - the difference between observed and predicted values.

Amongst various methods to find the best-fit regression equation, least squared error method- a method to minimizes the sum of squared residuals is most common. In reallife Regression problems, the result is explained by more than a single variable and that is solved by multiple linear equations.

Logistic Regression

As explained in previous section, Linear Regression is limited to the problems with the continuous response variable. The limitation is effectively solved by Logistic Regression – a classification technique developed by statistician David Cox in 1958 [21]. The method can take multiple predictors that explain the response value and calculates the probability of categorical response. The response category can be binomial – only two categorical response variables, Multinomial – more than two categorical response variable can be ordered within a range [21].

For example, the result of a mortgage loan application based on a credit score is a classic example that can be predicted with simple binomial Logistic Regression. In the example, the estimated result should fall in between 0 and 1 to represent the approval or rejection of the application that is illustrated by the estimated Logistic Regression defined equation 2 below.

$$p(X) = \frac{e^{\beta 0 + \beta 1 X}}{1 + e^{\beta 0 + \beta 1 X}}$$

In the given equation 2, P(X) is defined as the probability of an event occurring based on the linear combination X and lies between 1 and 0. Likewise, $\beta 0$ and $\beta 1$ are estimated Intercept and slope of linear function determined by maximum likelihood estimations [21].



(2)

Decision Tree

Decision Tree is another supervised learning method to be used for both classification and regression problems. In this method, the variable having the strongest association with the response is chosen from various methods and the sample is partitioned based on the chosen variable. The process is continued recursively with a binary partitioning algorithm until certain criteria are met that results the final decision. Similar to the tree data structure, a Decision Tree is composed of root nodes, decision nodes, branches, leaf nodes and is placed upside down. The tree is started with the root node and complete data-sets which is split into multiple subsets with certain conditions and the process is continued up to the leaf of the tree with the outcome. [22, 175.]

Random Forests

Random Forests, as the name suggests, is an ensemble learning method that constructs a large number of Decision Trees at the learning process and collective result from all trees is gathered. For the regression problem, the final result is the average result of all trees whereas for classification problems the the mode of the result is estimated as the final result. Model based on Random Forest is much more accurate compared to single Decision Trees as each tree is formed independently based on randomly sampled data. Besides, it provides other significant advantages such as faster learning rate, avoids overfitting, imputes the missing values and naturally handles both regression and classification problems out of the box. [23,1.]

Naïve Bayes

Naïve Bayes is a simple linear machine learning technique but very effective in many complex classification problems. The model is based on the conditional probability theorem - Bayes' theorem and assumes explanatory variables to be mutually uncorrelated [24, 3]. The model outperforms other alternatives when the sample size is less, and the number of features is more. The classifier is mostly used in text classification, medical diagnosis and sentiment analysis such as filtering spam in email, classifying customer sentiment based on reviews, categorizing news articles [24, 3].



As stated in the previous section, the model is based on the probability model formulated by Statistician Thomas Bayes and it is called Bayes' Theorem or alternatively Bayes' Rule. It describes the rule to update the hypothesis based on the new evidence with joint and conditional probabilities. The rule can be simplified as :

(3)

posterior probablity =
$$\frac{conditional \ probability}{evidence}$$

In the above equation, posterior probability can be interpreted as the probability of outcomes of a class given its observed properties such as the probability of a person to be a woman based on long hair. Let's Assume P(H) - the probability of a person being woman, P(E) - the probability of the person having long hair and P(E|H) - the probability of a person being is a person having long hair given that person is a woman. According to Bayes's theorem, the posterior probability of the person to be a woman given that person has long hair is given as follows [24,4].

(4)

$$P(H|E) = \frac{p(E|H)}{P(E)} P(H)$$

As mentioned in equation 4, based on Bayes' Theorem, the probability of a person having long hair to be a woman is calculated based on prior known probabilities. First, the probability of women having long hair is multiplied by the probability of any person being a woman. Next, the result is divided by the probability of all persons having long hair to obtain the result.

Artificial Neural Networks (ANNs)

Artificial Neural Networks are defined as robust non-linear machine learning algorithms or function approximators that are inspired by biological neuron networks. The network consists of several interconnected computational units or nodes known as neurons that can process information autonomously. The results are then passed to other nodes from



one node with remarkable learning performance. [25.] As the author points out [25], a simple ANN model includes inputs with different weights, a transfer function, net-input, and activation function to identify the result as shown in figure 4.





Figure 4 provides example of a simple ANN diagram without hidden layers, here input corresponds to the raw data values and each input is assigned with certain weights. The next step is to sum up the value with some constant value and the result is transformed with certain activation functions such as a sigmoid function to identify the result [25].

3 Current State Analysis

This section summarizes the current states of the case platform and overview of the features and methods used for Predictive Analytics are highlighted. The section also highlights the limitation of implemented forecasting tools and methods. The last section



highlights the areas for improvement and points out the identified problem cases to be implemented by the current project.

3.1 Inline Insight

The case platform for the project - Inline Insight, is a marketing automation or extract, transform and load (ETL) tool that integrates with the number of digital marketing platforms and CRM tools such as Google Ads, LinkedIn, Facebook, Twitter, HubSpot and more. The platform extracts the data daily and harmonizes the KPIs across multiple channels to a single table. Afterward, the data is loaded to the centralized reporting system that makes it much convenient for comparitive analysis. Inline Insight also supports data from organic and social channels such as the Instagram, LinkedIn and Facebook pages to make it easier to compare the results based on organic and non-organic sources. [26.]

The case platform is written in Python, R, JavaScript and is integrated with Azure cloud services for storage, processing, and visualization of the data. The Azure services includes Virtual Machine, Power BI reporting tools, Storage Account, SQL database, and Azure Data lake. Users need to authorize permissions to fetch the data via a web application. Afterward, the ETL written in Python extracts the data followed by data transformation and processing in the R. The processed data is loaded to the Azure data lake and eventually to the SQL server. The SQL Server provides the data source for visualization tools such as the power BI reporting system or to the web application [26].

3.2 Advanced Analytics and Prediction

Beside from descriptive analytics, the case platform also provides advanced analytics and simple prediction features such as recommendations, alerts, and forecasting. For example. the platform recommends a marketer to increase or decrease the ad spend amounts to maximizes cost per objective. For analytics and forecasting features, the case platform uses basic forecasting formulas and forecasting models provided in power BI. The basic prediction formulas include simple rolling average, naïve method and seasonal naïve methods. Similarly, Inline insight adopts other forecasting methods



integrated with Power BI desktop for time series forecasting such as exponential smoothing methods.

3.3 Limitation and issues

Predictive analytical features for the case platform are limited with the current architecture and existing features include many accuracy drawbacks. Current forecasting methods as mentioned in section 3.2 are limited to univariate time series analysis and does not include external factors into the account [27, 1]. Due to limitations with integrated models, the current predicted results are less accurate, and the platform lacks additional features essentials for a competitive predictive analytical tool.

Similarly, The future roadmap for the platform is to turn into complete web service as a (SaaS) service. SaaS can be defined as service provided over the internet that allows the user to use the service without the need of maintaining or installing any software [28, 90]. However, the current implementation has proven to be against the philosophy of SaaS. As a complete web service, the platform can not integrate with Power BI desktop for advance analytics and prediction features and should migrate to other machine learning tools and technologies.

3.4 Objectives

The major objective of the project is to build predictive models for two identified cases listed below. During modeling, the project aim to explore and integrate various methods, tools, and technologies into the case platform to streamline the new predictive features. The following list provides the detail information of the cases identified to be solved with the case project.

1. Sales case classification

In this case, the result of sales or deal cases in the pipeline is predicted and scored with the probability of winning. The factors contributing to the result are identified and include deal engagement and the activity of the contact and



company associated. Note that, in subsequent sections, the problem is labeled as a deal classification case for better readability.

2. Marketing Lead prediction

These cases are regression problems and the metrics are predicted based on the KPIs at the top of the funnel (TOFU) as explained in section 2.1.2. The purpose is to predict key metrics - the total number of weekly website visitors, Leads and MQLs gained. Theses cases are collectively referred to as Lead prediction cases or regression problems.

4 Methods and Materials

The following section discusses the process, methods, tools, and technologies adopted to carry out the project. The section also briefly explains the data used for predictive modeling along with the application architecture. In the subsequent section, a detailed workflow for implementation of the machine learning algorithm is discussed. Finally, the last section highlights the accuracy evaluation methods for different machine learning algorithms.

4.1 Tools and Technologies

For the implementation, various tools and packages provided in R and Python are integrated. The next section provides an overview of R and python programming language along with a short introduction to different machine learning tools used to develop the project in R.



4.1.1 Python

Python is an open-source, high-level, general-purpose programming language that has been widely used for data science in recent years [29]. As it provides a wide variety of packages for making API calls and handling the large data sets, Python has been chosen to extract the data from the various platforms for the case project. Further, Python data analysis library- pandas is integrated to transform and store the API response to flat format file such as CSV.

4.1.2 R

R is an open-source statistical programming language and environment for statistical computing and graphics. The language was designed specifically to solve statistical problems. R provides a variety of tools and techniques for statistical modeling, classification, clustering, data mining, and graphics. [30.] In the context of the case project, R has been utilized to perform machine learning and visualization tasks such as data preparation, transformation, modeling and result visualization. The following section shortly describes the various R libraries used for the tasks.

Rdatatable

Rdatatable or data.table is an extension of R tabular two-dimensional data structure - data.frame with additional features such as high performance, fast speed, memory efficiency, and concise syntax. As data.table is capable of storage and transformation of large datasets in memory very fast, data for case project has been stored and processed by data.table. [31.]

Caret

The caret package provides a common interface for various machine learning algorithms for the development of predictive models. Additionally, it also provides a set of functions to streamline the predictive analytics workflow such as data splitting, pre-processing, feature engineering and resampling [32]. As of October 2019, it supports up to 238 algorithms and it is constantly growing [33]. Note that, Caret packages do not comes with the packages for the different machine learning algorithms, however, users are prompted



to install only required libraries during run time. Functions provided by the caret packages have been used in the case project to streamline the machine learning task for both classification and regression problems.

CaretEnsemble

CaretEnsemble is a package in R for aggregating the result of multiple caret models. The package helps to build ensemble models and provides three primary functions caretList, caretEnsemble, and caretStack. The first function is used to develop a list of caret models and others are used to ensemble the models from the list. [34.]

4.2 Data

The data to execute the project belongs to the case company. Two sets of data has been extracted to accomplish the modeling task that as discussed below.

For the Lead prediction case, Digital Marketing data has been extracted from the case company's advertisements and social accounts. The channels from the data were extracted include - Instagram, LinkedIn, Google Analytics, Google Ads and HubSpot. Overall, the last two years of data have been collected. The data comprises email marketing, organic and paid advertisements and web traffic analytics. From each channel, KPIs from the TOFU and MOFU are collected. For example, key metrics from TOFU included social media KPIs such as user engagements, impressions, clicks, shares, video views, reach, spend, ads objectives, target audience, advertisement type. Similarly, Other metrics collected from web analytics platforms such as Google Analytics and HubSpot included users, sessions, number of page views, bounces, conversions.

Similarly, For the classification problem, data included closed and ongoing deals in the HubSpot sales pipeline since the beginning of 2017. In addition to deals, other data that is suspected to have an impact on the result of the deal are also included such as information about the contact and company deal is associated with. The predictors for the deal result includes activities such as email, calls, meetings. Further, the data also



comprises detail information about the company and contact person with other online activities such as the number of website visits, email clicks, email opens, page views.

4.3 Implementation

The following sections discuss the Machine Learning workflow and steps taken to build predictive models for problems identified in section 3.4. The section briefly discusses the data preparation task and machine learning workflow practiced in the project. Finally, the performance of different models is evaluated in the subsequent section.

4.3.1 Data Preparation

Followed by data collection, data Preparation has been the starting step for Machine Learning workflow. At first, the data is loaded into the R session as a list of data.table and observed to gain a better insight into the data. With the understanding of the data, the attributes with insignificant impact on the result are identified and removed to lower down the number of variables. Afterward, each attribute is converted to correct data types, the corrupt data is either fixed or removed and column names are renamed to be more descriptive and according to the naming standard.

In supervised learning, in each record, the relevant information with the result should be included. As discussed in section 4.2, the data for the case project is included in 7 and 16 different tables for classification and regression problem respectively. The next step is to transform, clean and merge the relevant data into a single table.

4.3.2 Descriptive Analytics

At this stage, the distribution and quantitative insights for the attributes are summarized with different measures and data is visually inspected. For the numerical attributes, measures such as mean, median, mode, max, min, standard deviation, and variance are summarized. The distribution of data that is visualized in several plots such as histogram, correlogram or density plots. In contrast, for categorical attributes, class distribution is observed and visually inspected with different charts such as pie charts or bar charts.



The data merged from various sources usually includes missing values. The ratio of missing values is identified for each attribute and the attributes with a high ratio of missing values - usually more than 75 percentages cannot be imputed effectively and are removed.

4.3.3 Data Splitting and pre-processing

Prior to feeding data into the machine learning algorithms, the data is processed and transformed into a more concise format. First, the data is split into training and test set with a 75 to 25 percentages ratio. Training set consists of data that is fitted into the Machine Learning algorithms to train the model. In contrast, the test set consists of data for validation of the model's accuracy. The function createDataParition from the Caret package is used for the balanced partition of the data to preserve the overall distribution of the response variable.

```
train_index <- createDataPartition(dt_model$dealstage, p = 0.75,
list = F)
```

Listing 1. Caret function to split the data

Listing 1 provides a Caret function for a balanced split of the data with 75 to 25 percentages ratio to be included in the training set and the test set.



One-hot encoding

As machine learning algorithms can compute only with numerical values, the categorical attributes are converted to numerical values by generating a set of dummy columns from one or more factors present in data. In other words, it is known as one-hot encoding. The Caret package provides a function - dummyVars to convert values of categorical factors into separate columns. Figure 4 shows the format of the subset table in case the project with the structure before and after conversion to a set of dummy variables.

е	Company	TASK	final_stage.Idea	final_stage.Reached out	final_stage.Offered	Company	
	1	1	0	0	1	1	
	2	0	0	0	1	2	
	3	4	0	1	0	3	
	4	0	0	1	0	4	
5		1	1	0	0	5	
6		1	1	0	0	6	T

Figure 4. the set of data before and after on hot encoding

Figure 4 illustrates the change in the structure of the table as categorical values are converted into numerical with one-hot encoding and the numbers of columns are increased to five from three.

Zero or near-zero variance

During the splitting or resampling process, some features might have a possibility to have zero variance, and those features should be identified and removed prior to modeling. Zero variance predictors include very few unique values with low frequencies and fail many algorithms from learning. In practice, two methods are used to identify those predictors- frequency ratio of most frequent predictors to the second most frequent predictors and percentage of unique values. The predictors with a higher frequency ratio and a lower percentage of unique values are categorized as zero variance predictors. [35.] These predictors contain highly imbalanced data and are likely to result in zero variance during data resampling or cross-validation process. Many models including tree-based models cannot handle predictors with zero variance thus are removed from data.



Predictors Correlation

In general, machine learning algorithms are more accurate when trained with unique predictors with less correlation amongst each other [35]. Thus, the next step is to identify and remove highly correlated predictors. To visually identify the correlation amongst predictors, a correlation matrix is formed and correlogram is plot using corrplot function provided by Caret package. The following correlogram illustrates the correlation for 14 selected predictors for the classification problem.





As illustrated by the correlogram in figure 6, few of the variables are highly correlated such as the correlation of variable DELIVERED with OPEN is around 0.7. Based on certain threshold values, out of two variables that have correlation more than the threshold, one variable is removed. For example, with the threshold of 0.6, DELIVERED and form_submission correlate more than 0.7, thus DELIVERED would be removed.



Feature Transformation

In general, It is required for many machine learning algorithms to scale, center and normalize variables before modeling. To illustrate, Neural Network-based models only support predictors value between 0 and 1. The most common practice is to scale the data to have zero mean and unit variance [35]. All the features for both problems are scaled, centered and normalized between 0 and 1 as shown in the following tables.



Figures 7 and 8. Clicks data distributions before and after transformation

Figures 7 and 8 show the data distributions for the KPI - Facebook campaign clicks, before and after the transformation is applied by scaling, centering and ranging between 0 and 1.



The transformation is done by the Caret's Preprocess function by passing data to be transformed and the transformation methods as illustrated in the code snippet below.

```
# center, scale and range the data
trans_model <- preProcess(train_data, method = c('center', 'scale','range'))
train_data <- as.data.table(predict(trans_model, train_data))
test_data <- as.data.table(predict(trans_model, test_data))</pre>
```

Figure 8. Data Transformation in R using the preProcess function

Figure 8 explains the workflow of data transformation using Caret's Preprocess Function. Training data has been used to create the model for centering, scaling and normalizing the data and the model is applied to both training and test data for transformation.

Missing Values Imputation

Generally, the Machine learning algorithms except few tree-based models require the data to be completed without any missing values [35]. Thus, missing values are imputed prior to modeling. In the case project, several approaches for imputing the missing values are taken. Descriptive analysis from section 4.2.3 provides the insights of missing values. Firstly, missing values that can be imputed based on judgment and knowledge are imputed. For Instance, for deal classification case, after merging the deals data with contacts activities data, missing values were introduced for the deals without any contact activities. From the judgment and understanding of the domain, the value can be imputed with 0 with confidence.

Secondly, for predictors with the high ratio between most frequent values and other values, the value of the highest with the highest frequency is imputed. Finally, for other predictors with missing values, two algorithms- KNN and Bagging has experimented.



4.3.4 Feature Selection

To achieve better accuracy with the model, only features with a significant impact on results are selected, and other predictors that do not contribute to the results are removed from the data. Despite manual approaches already taken identity significant features in the previous sections, an automatic and streamline approach known as recursive feature elimination is taken in the phase.

To eliminate uninformative features, the recursive feature elimination function rfelter provided by Caret package is utilized. For the classification problem, the Random Forest method is used with 10-fold cross-validation and repeating the process 5 times. Likewise, for Lead prediction case, the linear model is used with 5-fold cross-validation repeated for 5 times. The performance with different number variables is illustrated by the following plots.



Figure 9. Cross-validation plots for a variable number of predictors

As illustrated in Figure 9, the model achieved the highest accuracy with 17 out of 34 predictors. Thus, only given top predictors are kept and other predictors are removed prior to modeling.



27 (44)

4.3.5 Training and Turning Models

This section describes the step taken for model tuning, selection of resampling techniques, fitting the data into various machine learning algorithms to build the most accurate model. To streamline and automate the process different functions provided by Caret and CaretEnsemble packages are taken into account. The most notable function includes trainControl, train, caretList and CaretEnsemble. For the resampling method, K-fold-cross validation with different values of K is analyzed to identify the optimal number of folds which is illustrated by the code snippet below.

```
# tune model
fit_control <- trainControl(method = c('repeatedcv'),</pre>
                             repeats = 10,
                             number = 10,
                             classProbs = T,
                             savePredictions="final",
                             allowParallel = T)
# train random forest algorithm
rf model <- train(x = train data,
                   y = train_y,
                  method = 'rf',
                   trControl = fit control,
                   verbose = F,
                   metric = 'Kappa',
                   preProcess = 'range'
                   )
```

Figure 10. basic parameter tuning and training model using caret function

As illustrated by code snippets given in figure 10, the trainControl function provides different options to tune such as the resampling methods, number of folds and repetition and hyperparameters for the model. With the selected resampling methods and other tuning parameters, the data is trained with the number of machine learning algorithm families. For the classification problems, the algorithms include Random Forest, Neural Network, Naïve Bayes Classifier, Logistic Regression, Boosting and Support Vector



Machine. Similarly, for the Lead prediction case problem, the algorithms include Neural Network, Linear Regression, Bayesian Linear models and Quantile Random Forest.

4.3.6 Ensemble Models

To maximize the accuracy of the machine learning models and reduce the bias, the common practice is to ensemble models by combining the results from multiple algorithms. Some of the algorithms used in the training and tuning sections are already ensembled such as Random Forest or Boosting. However, to build a highly accurate model, the most accurate algorithms that are identified from section 4.3.5 are ensembled. In practice, R package caretEnsemble has been added to the project that provides a set of functions that made it easier to ensemble the learning from two or more algorithms.

For ensemble models, a combination of algorithms with less correlated results is preferred [35]. To illustrate, the plot in figure 11 visualizes the ROC for different samples using two different models - Naïve Bayes and Random Forest.



Figure 11. ROC plot of Random Forest and Naïve Bayes

As identified by figure 11, two models Random Forest and Naïve Bayes are highly uncorrelated and Random Forest tends to have more accuracy over naïve Bayes in most of the sample.



4.4 Model Evaluation

To build highly accurate models, the model's significance and accuracy are evaluated with various metrics and selection of metrics differs based on the response variable type. For either case, the model result is summarized at first that provides the accuracy of the model with the training data sets. Next, Accuracy of the model is cross-validate with the result from test data. Following the prediction, outcomes are validated against the actuals with a variety of evaluation metrics as summarized below.

4.4.1 Regression problems

For the regression problems, the accuracy of models is evaluated with RMSE- the most common metric to evaluate the accuracy of the regressional model and the equation is given as follows.

(5)

$$\text{RMSE} = \sqrt{\frac{\sum_{i=1}^{n} (p-o)^2}{n}}$$

In equation 5, p is the predicted value at i, o is given as observed value at i and n is the total number of observations. Thus, RMSE is given as Root Mean Square deviation of predicted values. Similarly, for reporting and human interpretation, MAPE is also evaluated which is calculated by the following equation. [36,29].

(6)

$$MAPE = \frac{1}{n} \sum_{t=1}^{n} \left| \frac{A - F}{A} \right|$$

In equation 6, n is given as the total number of predictions, A is actual observation and F is given as predicted value. Thus, MAPE can be summarized as a mean absolute percentage deviation between observed and predicted values.



4.4.2 Classification problem

For classification problems, mostly three metrics are taken into account for accuracy evaluation- Accuracy, Kappa and ROC and the value of all metric lies between 0 and 1. Accuracy is the simplest and default metric to maximize in most machine learning models with classification problems and is given as follows.

(7)

Accuracy = $\frac{\text{Number of correct prediction}}{\text{Total number of predictions made}}$

However, in most cases, the response class is not evenly distributed, and Accuracy is not the most effective metric to evaluate the models. To illustrate, in the context of classification problems in the case project, about 25 percentages of cases were won and simply predicting all cases as lost gives 0.75 Accuracy that is very poor for predicting won cases. To deal with the imbalance distribution of result class, Cohen's kappa has been used as an evaluation metric for classification models which is given as follows.

(8)

 $kappa = \frac{total \ accuracy \ - \ random \ accuracy}{1 - \ random \ accuracy}$

As shown in equation 8, Kappa statistics takes observed accuracy by random chance into account to have a more effective evaluation [37,147]. The model evaluation metrics discussed for classification problems can be visualized in the confusion matrix that shows cross-tabulation of observed and predicted classes as illustrated in the matrix table below.



Figure 11 demonstrates the confusion matrix for the binomial classification problem with four boxes that provide an overview of prediction in comparison with actual outcomes.



Figure 11. Confusion Matrix table

In the figure above, the first row includes correctly and falsely predicted positive value and second-row includes falsely predicted negative cases and correctly predicted negative cases.

5 Result and Discussions

As indicated in the objective section, predictive analytics features were integrated into the case platform using Python and R along with other Machine Learning tools as mentioned in section 4. Further, the workflow for machine learning was explored in details and predictive models were constructed to solve identified problem cases in section 3. The following sections summarize the result of models with different machine learning algorithms as listed in section 4.3.5. Further, the outcome with benchmark results and errors are discussed and details are listed in appendix 1 and 2. The section also discusses the limitation of current implementation recommends the improvement.

5.1 Benchmark Result

As mentioned in section 4.3.5, the model was trained with minimum of 7 different variation of machine learning algorithms. For each experiment, different results were



obtained that has been listed in appendixes 1 and 2 with different visualizations. The Following sections provide an overview of the benchmark results.

5.1.1 Deal classification case

For the classification case, out of a total of 136 predictors, only 17 predictors were chosen to be included in the models based on the feature selection technique discussed in the section 4.3.4. For better interpretation, The chosen features along with the weight for contribution are included in appendix 1 page 2. As bagging is computationally expensive than the k-nearest neighbors (KNN) method to compute and no significant difference was found with both approaches, thus KNN was chosen as the final imputation method.

In terms of algorithm, the data was trained using minimum of 5 different families of machine learning algorithms and a couple of experiments were done using ensemble models. For each machine learning algorithm, measured Accuracy, Kappa and AUC values are in the appendix 1 page 1. As per the table, the model can be concluded as highly accurate as more than 80 percentages of algorithms achieved more than 80 percentages of algorithms achieved more than 80 percentages of accuracy.



After comparison, the ensemble model with Random Forest and Neural Networks was chosen for the final model. The performance of the chosen model for classification cases with test data can be visualized in the following histogram.



Figure 12. histogram of the cases with predicted probability

As visualized by the histogram in figure 12, it can be concluded that the model was able to segregate the won cases from lost cases very accurately. It should be noted that the the visualization is based on the mock-up data but it reflects the actual outcome accurately. As per business perspective, the correct prediction of won cases was more important than the false prediction of lost cases, thus threshold for classification was set to be 0.25.



The following figure summarizes the output of the confusion matrix with the 0.25 threshold.

Confusion Matrix and Statistics				
Reference				
Prediction won lost				
won 47 23				
lost 4 115				
Accuracy	: 0.8571			
95% CI	: (0.799, 0.9037)			
No Information Rate	: 0.7302			
P-Value [Acc > NIR]	: 2.194e-05			
Карра	: 0.6756			
Mcnemar's Test P-Value	: 0.000532			
Sensitivity	: 0.9216			
Specificity	: 0.8333			
Pos Pred Value	: 0.6714			
Neg Pred Value	: 0.9664			
Prevalence	: 0.2698			
Detection Rate	: 0.2487			
Detection Prevalence	: 0.3704			
Balanced Accuracy	: 0.8775			
'Positive' Class	: won			

Figure 13. Model performance evaluation with confusion matrix

As per the confusion matrix, the model predicted 111 out of 135 lost cases with the Sensitivity value of 0.82. Similarly, the accuracy was very high for the classification of won cases as the model correctly identified 47 out of 50 won cases with the Specificity value of 0.94. It should be noted that the actual number has been changed on the report for data privacy reason. In conclusion, the model is very accurate and the prediction can be used to make business decision.

5.1.2 Marketing Lead prediction case

For the Lead prediction case, around 25 percentages of initial predictors were selected to be trained in the final model. As a sample, chosen features and respective weights for contribution to predict the number of leads are included in page 4 in the appendix section 2. For example, for the lead prediction, it can be concluded that organic sources from the Facebook page and paid sources in LinkedIn have the most significant contributions. Whereas, the total advertisement cost for Google Ads Campaign has



relatively less impact to the number leads collected. It should be noted that the test data had included observed results with 0 values, thus RMSE was measured as a key metric for the selection of the final algorithm.

The result of the Lead prediction case is listed in the table in appendix 2 pages 1,2 and 3. According to the tables, the performance of the model was found to be very accurate for the prediction of the number of website visitors. For most cases, the average MAPE value of all the algorithms is under 35 percentages other than Linear Regression and BRNN.

The Boosted Generalized Linear Model (GLMBoost) was found to be most accurate with MAPE being 24.80 and was selected for prediction of the number of visitors. The area chart in the following figure compares the number of predicted visitors by the most accurate algorithms and the actual number of visitors.



Figure 14. Actual and predicted number of weekly visitors

As illustrated in figure 14, it can be concluded the model was able to predict most of the changes in the number of visitors very accurately. It should be noted that the values are scaled for data privacy reason. The performance of models to predict the number of Leads and MQL were just adequate with MAPE of the most accurate model being 120.48 and 129.22 respectively.



GLMBoost and Simple Linear Regression were identified as the most accurate algorithms for MQL and Lead predictions. The following figures visualize the actual number and predicted number by the most accurate models for MQLs and Leads prediction cases.



Figures 15 and 16. Actual and predicted number of MQL and Leads

Figures 15 and 16 are based on scaled data due to data privacy reasons and based on the figures, it is transparent that the model had failed to predict the sharp increases in the number of MQLs or Leads collected. Mostly, the model was successful to capture the increase or decrease, however, the predictors are not able to explain the drastic increases of the result. One of the reasons for the poor performance of these cases is suspected to be the lack of richer values in data sets. For example, Organic medium such as Facebook and Instagram mostly contained 0 activities. The other factors that



can impact the MQLs and Leads are suspected to be the activities of the past weeks which are yet to be incorporated into the models.

Overall, it can be concluded that the KPIs from the TOFU stage can explain the number of visitors very accurately. For other KPIs, the predictors from TOFU explained the outcome to some extent. However, the attributes that motivate for the conversion of visitors into MQL or Leads should be identified and taken into account before using results for business decision.

5.2 Further improvement

As identified in result section 5.1, the project achieved highly accurate results for two cases out of four. However, for all cases, there are high scopes for improvement which is discussed in this section. Firstly, hyperparameters should be tuned manually to optimize the model's learning process. In addition to hyperparameter optimization, model evaluation and selection process should be streamlined and the number of other machine learning algorithms should be added into the platform. For example, it is suggested to experiment with multi-layered based Neural Networks algorithms provided by the R interface of Keras package.

For the regression problems, the model should be trained with the datasets collected from various accounts with richer values. As non-actional predictions are not effective value for the business, the implementation should be extended to forecast KPIs only based on factors that advertisers or businesses have control over. For instance, the prediction of leads solely based on owned and paid media that business have control over can provide bigger values to the business as they have control over those factors.

As identified in section 3.3, the case platform included limitations to integrate advanced predictive and forecasting features with the existing architecture. To overcome the identified limitation, implementation is to be migrated from power BI to more powerful and flexible machine learning tools. The existing simple forecasting methods should be refactored with various advanced models and the best-fitting model should be selected per features.



6 Conclusion and Summary

The project was carried out for a cloud-based, marketing automation, data driven solution provider company - InlineMarket to integrate predictive capabilities to the existing analytical ETL tool. The project was set out to explore and understand machine learning workflow along with essentials of common machine learning algorithms.

The purpose of the project was to implement predictive models for two cases - prediction of the number of weekly visitors, Leads and MQL for a business and forecasting the result of sales cases in the pipeline. The data was extracted from social accounts, ads accounts and Hubspot CRM account from case company. For data processing R language was used and Machine learning workflow was based on the function and standard provided by two R packages - Caret and CaretEnsemble.

For both problems, models were constructed with various machine learning algorithms along with ensemble models to find out the most accurate model. From cross-validation with test data, the result was found to be very accurate for classification problems. Whereas for the regression problems, the model had accurate prediction only for the the number of visitors but other predictions were just adequate.

In conclusion, the project was able to achieve all the objectives defined and was able to discover a few insights that would not have been known otherwise. From the result, the deals with faster stage transition and more past deals with the associated company were more likely to be winned. For the case company, it was found that the number of weekly achieved leads was highly explained by number activities on the Facebook page and Linkedin ads. Similarly, it is concluded that current data is not able to fully predict the Leads and investigation to identify other contributing factors that are suggested.

Further, it is recommended that the case company should not make any business decisions based on current prediction for the Leads. However, Classification of deals and prediction of website visitors can be used to make a business decision as they are highly accurate. Similarly, current time series forecasting features using Power BI are suggested to migrate to more advanced and flexible tools such as R programming language. As the architecture for Predictive Analytics had been integrated into the case



platform, the integration of new predictive features are more straightforward and is recommended.



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Appendix 1. Results for Classification case

Algorithm	Accuracy	Карра	AUC
Random forest	0.857	0.65	0.8344
Neural Network	0.81	0.56	0.8074
naïve Bayes	0.7946	0.4658	0.727
Adaptive Boosting,	0.8	0.4898	0.7433
Polynomial Support Vector Machine	0.854	0.6129	0.793
ensemble Radom Forest and Neural Network	0.87	0.67	0.9418
ensemble model Random Forest and naïve Bayes	0.864	0.6719	0.9348

Accuracy table for different Machine Learning Algorithms





Variables used with weights for number of lead prediction



Appendix 2. Results for Lead prediction case

Algorithm	MAPE	RMSE
Linear Regression	131.66	746.67
Quantile Random Forest	31.122	41.37
Bayesian Ridge Regression	21.17	42.668
Boosted Generalized Linear Model	24.80	31.43
Bayesian Regularized Neural Networks	62.64	98.00
Ensemble model with Linear Regression and Boosted quantile random forest.	32.82	47.10
Ensemble model with Linear Regression and Boosted Generalized Linear Model	32.58	37.49

Accuracy table for number of website visitors prediction



Algorithm	MAPE	RMSE
Linear Regression	4968.10	156.16
Quantile Random Forest	108.54	6.34
Bayesian Ridge Regression	135.94	5.22
Boosted Generalized Linear Model	120.48	5.09
Bayesian Regularized Neural Networks	159.42	5.47
Ensemble model with Linear Regression and Boosted quantile random forest.	101.24	6.70
Ensemble model with Linear Regression and Boosted Generalized Linear Model	101.24	6.70

Accuracy table for number of MQL prediction



Algorithm	MAPE	RMSE
Linear Regression	129.2212	6.496153
Quantile Random Forest	84.14683	7.330302
Bayesian Ridge Regression	96.72619	7.593857
Boosted Generalized Linear Model	131.1954	6.9857
Bayesian Regularized Neural Networks	112.6637	7.420692
Ensemble model with Linear Regression and Boosted quantile random forest.	93.65575	8.087027
Ensemble model with Linear Regression and Boosted Generalized Linear Model	73.91369	8.298594

Accuracy table for number of Lead prediction





Variables used with weights for number of lead prediction

